

CITY OF TENINO
Thurston County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. Public Funds Were Misappropriated

During our audit of the City of Tenino, officials notified us that a misappropriation of funds had occurred. As a result, we organized and supervised an audit of the court to determine the extent of this loss. To minimize audit costs, we used the work of city staff to assist us in rehabilitating the accounting records of the court.

Our audit of the financial records of the City of Tenino Municipal Court revealed that at least \$2,640.67 in public funds was misappropriated by one or more employees in the City of Tenino during the period of January 1, 1993, through December 31, 1993. These funds were misappropriated as described below.

- Recorded cash collections from defendant payments were stolen. The court transaction journal indicates that both cash and checks were received from defendants. These funds were not subsequently deposited in the court's bank account. Cash payments of \$2,640.67 were apparently stolen.

We interviewed the individual who was court clerk during the period of the loss. She stated she had not taken the money and did not know who might have.

Responsibility for the loss could not be fixed on any one individual because of the inadequate internal control procedures described below.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in the state correctional facility for not more than 15 years.

The following internal control weaknesses allowed these misappropriations to occur and not be detected in a timely manner:

- a. There was an inadequate segregation of duties in the municipal court. Most of the accounting functions for cash receipt and disbursement transactions within the court were the primary responsibility of the court clerk. However, there was no periodic review of the court clerk's work by other city management officials who were independent of the court.
- b. Deposits were not made intact on a timely basis.
- c. The bank account was not promptly or properly reconciled each month by a person who was independent of the court function.
- d. The bail trust account was not reconciled to the amount of funds held on deposit in the bank or to the detail of the court's bail pending records each month.

There were no federal funds involved in this case.

We recommend the City of Tenino seek recovery of the misappropriated \$2,640.67 and related audit/investigation costs from their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Thurston County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

Cities Insurance Association of Washington
Public Officials and Employees Liability
\$100,000 with \$1,000 Deductible
Policy No. 524-161180-8 for September 1, 1992 - September 1, 1993
Policy No. 524-181445-2 for September 1, 1993 - September 1, 1994

We also recommend the city:

- a. Review overall accounting controls, correct the weaknesses outlined above, and implement an effective system of internal controls designed to ensure the protection of city assets.
- b. Notify the insurance bonding company of this claim.